

## 8            **GUIDE TO INVESTMENT AND FINANCE**

but also the capacity of deciding, however incomplete, upon its worthiness.

It is true that in some departments of organised finance and in the sagacious selection of many securities, special knowledge, education and ability are needed, but it is no less equally true that the sound and profitable investment of money is competent to qualifications of a much humbler order. Under the delusion that financial operations generally are too abstruse for any but the expert to attempt with a probability of success, many excellent opportunities of making money by investment pass unappropriated by. The common sense, prudence, deliberation, and care, which we devote to our ordinary affairs, form the qualities which universally succeed.

When the important firm of Overend Gurney & Co. failed disastrously in 1866—a firm originally founded, and for many years conducted, with marked sagacity and knowledge—Mr. Walter Bagehot, one of the clearest and sanest financial observers and critics, felt compelled to comment that, in the latter stages of its administration, so little regard had been devoted to the most ordinary caution and intelligence that "one would think a child who had lent money in the city of London would have lent it better." In the "Collie" frauds, again, of 1875, a mournful revelation was made of the careless manner in which even banks and discount houses of repute sometimes worked. Bills for an enormous amount in the total were discounted (or lent upon) without any adequate inquiry or information respecting the solvency of the acceptors (that is, of those who had agreed to pay the bills on maturity), and without ascertaining whether there really existed any valuable\* goods as the warrant for the creation of the bills (or *ttahfcs*). Haphazard and unintelligent routine had usurped the place of alertness and business aptitude, and it was shrewdly inferred that the lenders (or purchasers of the bills) had been so overladen with deposits of money by their customers that they preferred to risk advancing upon dubious or unascertained security, rather than permit their funds to remain idle.

In the light of this lesson we may well start here with a few marks of guidance: (1) Never remit careful thought in what we are doing\* (2) Never assume that success once